

KEY ECONOMIC INDICATORS

UPDATE



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Economic Data Pertaining to
the U.S. and Michigan Economies
for Members of the Michigan Legislature

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In The News . . .

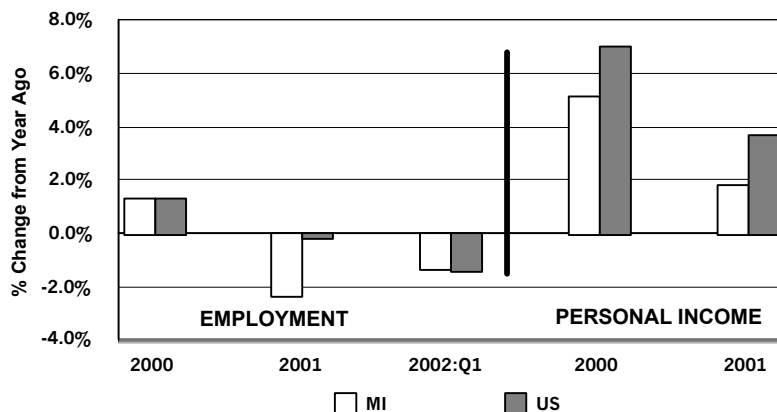
**Although recent national economic news has been encouraging,
the timing and degree of a return to sustained economic growth for Michigan is unclear.**

Michigan's economic activity started to diminish in the Fall of 2000 and was significantly weaker than the United States (U.S.) economy during 2001. The figure on this page shows the percent change in Michigan and U.S. employment and personal income for 2000 and 2001.

Personal Income

In 2000, Michigan personal income increased at a relatively healthy pace of 5.2%, but was below the robust 7.0% gain for the U.S. After increasing at a 6.4% annual pace in the first half of 2000, Michigan personal income weakened considerably in the second half to 2.6%. This decline in the state's personal income corresponds to employment losses that occurred after total Michigan employment peaked in the second quarter of 2000.

Michigan and US Employment and Personal Income



The weakness in Michigan's economy relative to the national economy is also evidenced in the April 2002 Bureau of Economic Analysis (BEA) personal income release—**Michigan's personal income growth for 2001 was ranked as the 49th lowest.** State personal income increased 1.8% in 2001; national personal income growth was 3.7%. The gap in state and national personal income came from the "earnings by place of work" component. Earnings posted a 0.6% increase for Michigan and 3.5% for the U.S. in 2001. For Michigan, earning losses were reported in durable and nondurable manufacturing, wholesale trade, farms, and construction.

Employment

Both the U.S. and Michigan posted employment gains of 1.3% in 2000. While U.S. employment remained relatively flat in 2001, **Michigan total employment declined by 2.3% or 115,325 jobs.** In 2001, Michigan employment declined by 5.6% or 54,600 jobs in manufacturing, by 1.7% or 18,600 jobs in trade, and by 1.2% or 15,900 jobs in services—primarily personnel supply services.

The U.S. Economy . . .

Gross Domestic Product

Gross domestic product (GDP) is the standard measure of the performance of the national economy. It has four main components: personal consumption expenditures, gross private domestic investment, government consumption expenditures and gross investment, and net exports (exports less imports) of goods and services. For calendar year 2001, real GDP grew at a 1.2% rate with a 1.7% increase during the fourth quarter.¹

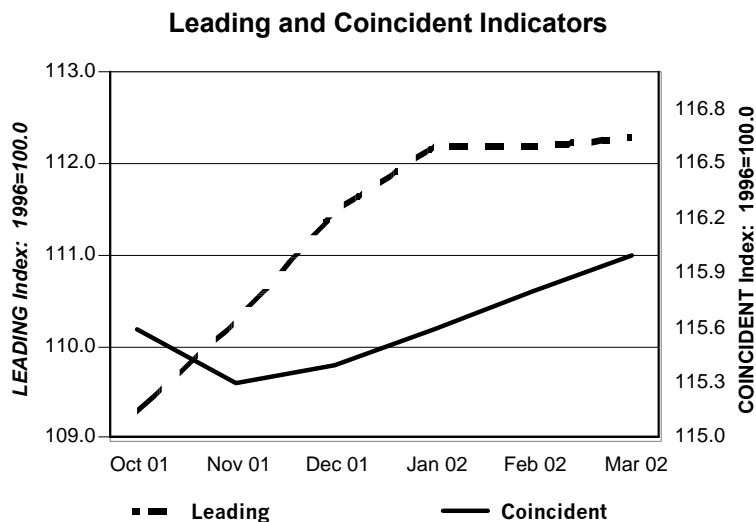
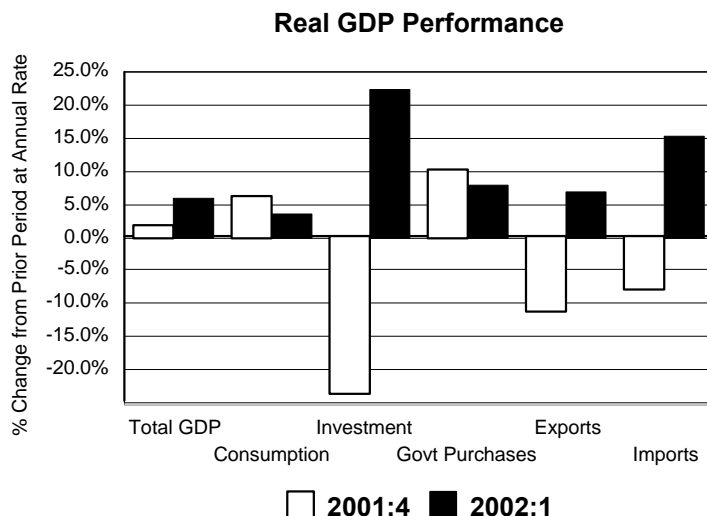
During the first quarter of 2002, GDP grew at a 5.8% rate. However, the change in private inventories contributed 3.1% to the first quarter growth, personal consumption expenditures added 2.5%, and government expenditures added 1.4%. Government consumption and investment grew 7.9% in the first quarter—primarily from a national defense increase of 19.6%. **Final sales of domestic product (GDP less inventories), which is a better measure of economic activity, grew at a 2.6% pace.**

Personal consumption expenditures, which account for almost two-thirds of GDP, grew at a robust 6.1% rate during the final quarter of 2001 before slowing to a 3.5% growth rate in the first quarter of 2002. Similarly, government purchases jumped by 10.2% in the fourth quarter of 2001, and by 7.9% during the first quarter of 2002. Much of this increase, especially in 2002, can be attributed to increases in federal defense spending, which grew at a 19.6% rate during the first quarter.

Private residential *investment*, which rose by 15.7% during the first quarter of 2002, was almost completely offset by declines in nonresidential (business) investment. Thus, excluding the inventory correction, private investment would have had no net impact on overall GDP growth.

Leading and Coincident Economic Indicators

The composite index of leading economic indicators (LEI), which is used to predict the future path of the economy, increased slightly to 112.3 in March after holding steady at 112.2 in both January and February. The LEI has either increased or remained constant for the past seven months, and has experienced a net gain of 2.9% since last September. In contrast, the index of coincident economic indicators, which is used as a gauge of current economic conditions, has risen only slightly over the past three months from 115.6 in January to 115.8 in February and 116.0 in March.



¹ Data on macroeconomic variables from the Survey of Current Business, U.S. Department of Commerce, Bureau of Economic Analysis. Data on the leading and coincident indexes from Business Cycle Indicators, The Conference Board.

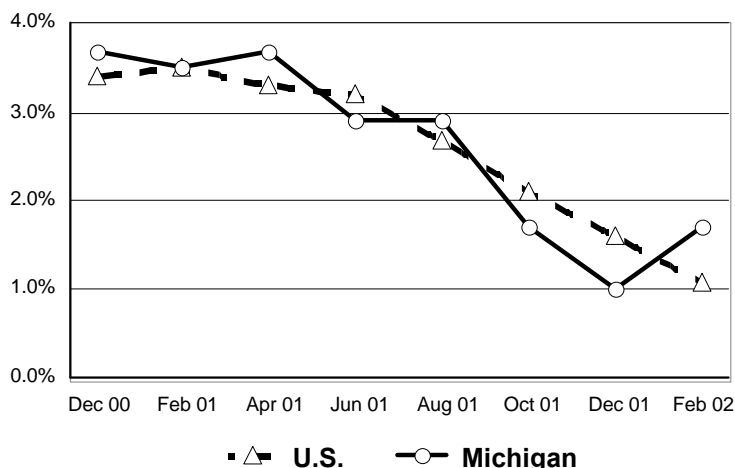
U.S. and Michigan Comparisons . . .

Inflation

Inflation measures the change in the general level of prices over time. One frequently-used gauge of inflation is the consumer price index (CPI), or for Michigan, the Detroit-Ann Arbor CPI (D-CPI). In February 2002, the CPI posted a 1.1% increase from a year ago while the February 2002 D-CPI advanced at a brisker, 1.7% pace.²

The inflation rate is influenced by a number of factors. Among the most significant are the producer price index (PPI), the employment cost indexes for total compensation and wages and salaries, and labor productivity.

U.S. and Michigan Inflation Rates



Economic Measures Key to Inflation

<u>Economic Measure</u>	<u>Time Period</u>	<u>Current Value</u>	<u>% Change from Year Ago</u>
Producer Price Index	March 2002	138.9	-1.4%
Total Compensation Index	1st Quarter, 2002	158.9	3.9%
Wage and Salary Index	1st Quarter, 2002	154.7	3.5%
Labor Productivity Index	4th Quarter, 2001	120.2	2.0%

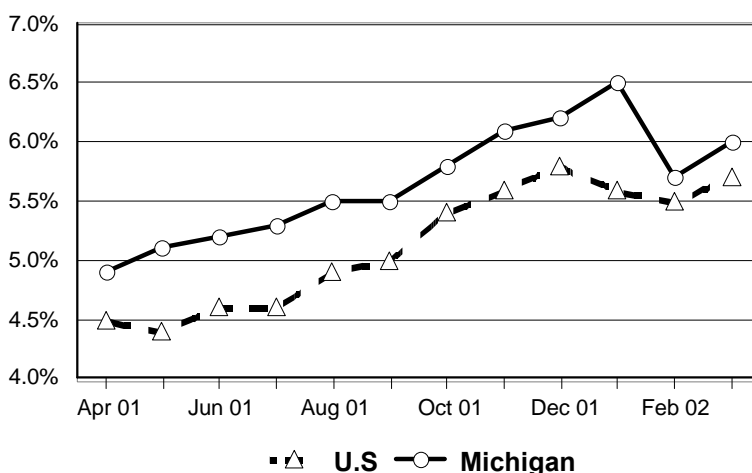
Unemployment

Between March 1995 and December 2000, the unemployment rate in Michigan was below the U.S. level. Michigan's unemployment rate climbed above the U.S. rate in January 2001, and has remained higher ever since. The Michigan unemployment rate climbed from 5.7% in February to 6.0% in March while the U.S. rate rose from 5.5% to 5.7% during the same period.

Employment

In March 2002, total U.S. employment dipped to under 134.0 million workers, which represents a 1.4% decline relative to March 2001. For Michigan, total employment in March 2002 dropped below 4.9 million workers, which translates to a 1.3% decline (a loss of almost 66,000 jobs) when compared with one year ago.

U.S. and Michigan Unemployment Rates



² Both consumer price indexes, the producer price index, both employment cost indexes, the labor productivity index, and all labor force data from the U.S. Bureau of Labor Statistics.

The Michigan Economy . . .

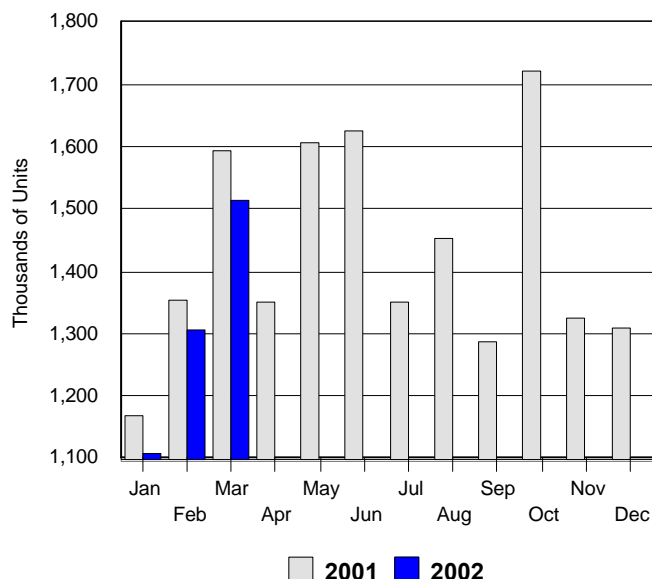
Total wage and salary employment in March 2002 fell by 1.4% relative to one year ago. The three largest sectors (services, wholesale and retail trade, and manufacturing) all saw employment decreases. Conversely, with the exception of the mining and construction sectors, average weekly earnings increased for workers in all other sectors relative to March 2001. Workers in the transportation and public utilities; finance, insurance, and real estate; and wholesale and retail trade saw the largest earnings gains.

Michigan Labor Market Data

Industry Classification	Wage and Salary Employment (in Thousands)		Average Weekly Earnings (in Dollars)	
	March 2002	Percent Change from Prior Year	March 2002	Percent Change from Prior Year
Mining and Construction	185.4	-1.6%	\$830.71	-0.7%
Manufacturing	904.9	-3.5%	\$845.69	2.2%
Durable Goods	686.3	-4.6%	\$909.94	3.1%
Nondurable Goods	218.6	-0.1%	\$633.22	1.1%
Transportation and Public Utilities	176.8	-1.1%	\$667.93	10.5%
Wholesale and Retail Trade	1,040.7	-2.0%	\$409.97	3.3%
Finance, Insurance, and Real Estate	209.1	0.6%	\$547.21	3.4%
Services	1,274.0	-1.3%	\$509.51	3.1%
Total Government	721.5	1.8%	N/A	N/A
TOTAL WAGE AND SALARY EMPLOYMENT	4,512.4	-1.4%	N/A	N/A

U.S.

U.S. Sales of Cars and Light Trucks



Motor Vehicle Sales

Although not quite as robust as during 2001, U.S. sales of cars and light trucks have remained relatively strong during the first quarter of 2002. Monthly light vehicle sales have increased steadily, and surpassed 1.5 million units in March. Almost all of this rise can be attributed to increased sales of light trucks, which jumped by more than 14.0% in each of the two months. For all of 2001, light vehicle sales measured just over 17.1 million units, which represents a mere 1.3% decline from the almost 17.4 million units purchased during calendar year 2000's record-setting total.

Michigan

Motor Vehicle Production

In March 2002, Michigan light motor vehicle production stood at 233,369 units, which represents a 12.4% drop relative to March 2001. Although auto production dipped at a 4.5% rate, most of the slowdown can be attributed to a 24.8% drop in light truck production. Through the first quarter of 2002, total light motor vehicle production in Michigan is about 4.7% ahead of last year's pace.³

³ Michigan employment and wage data from the U.S. Bureau of Labor Statistics. Automotive figures are published in Automotive News; calculations by HFA. Michigan auto production data from the Office of Revenue and Tax Analysis, Michigan Department of Treasury.